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Secy. II-97—100,000—21-5-53.

Development (1948) Department.

MS SERIES.

G.O. No. 6234

Dated 16. 12. 48.

[Despatch Abstract.]

Co-operative Societies- Agricultural Credit Society- Curator's note on the recommendations of the Special Officer for Land Tenures- Papers recorded.

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Development Department.

Memo. No. 102489 B-I/48-1, dated 28-9-1948.

Cooperative Soceitáés- Credit societies Agriculture Credit Societies- ***

The Curator, Madras Record Office, has submitted a note on the recommendations made by the Special Officer for the investigation of Land Tenure Systems. An extract of the note relating to the provision of credit facilities to agriculturists is communicated to the Registrar, Cooperative Societies for remarks.

To the Registrar, Cooperative Societies with enclosure.

True Copy

e)

Name of Crop.	Extent under cultivation.	Loans issued.	Value of produce brought to sale societies.
	acres.	Rs.	Rs.
1.	2.	3.	4.
i) Paddy	5,026	79,527	—
ii) Ragi	446	14,841	---
iii) Groundnut	16,937	3,93,402	2,10,122
iv) Cotton	837	32,355	15,010
v) Tobacco	--	12,018	2,150
vi) Other crops	3,918	1,48,154	1,87,504
Total...	27,164	6,80,377	4,14,786

vi) No of marketing panchayatdars appointed 605
vii) Value of produce secured by them for sale through sale societies. Rs.2,26,960

In my letter 16455/47 dated 24-9-1947, I have submitted a modest scheme to Government to develop the working of sale societies. If this scheme is sanctioned it will enable me to brming more societies under the controlled credit scheme.

The Curator also suggests that warehouses should be built in rural areas to facilitate the storage of agricultural produce. No provision is more calculated to ensure the staying power of the ryots than the establishment of godowns in villages and market centres. Government have been encouraging the sale societies and rural credit societies to put up godowns. On 30-6-1948, the sale societies had 65 godowns valued at Rs. 5.36 lakshs, Rural Credit Societies had built 34 godowns at a cost of Rs.58,000. Under the existing arrangement free grants are made by Government upto 25% of the cost of godowns in deservind cases. Loans are also given by Government upto 50% of cost to rural credit societies and upto 75% of cost to sale societies. With reference to the suggestions of Sri K.A. Nachiappa Gowndar, I have reported to Government that free grant upto 50% of cost of construction may be given to sale societies as well as credit societies provided they can find the balance of 50% from their own funds and donations.

A warehouse Bill is also under the consideration of Government. This, if enacted, will provide for storage facilities to the ryots.

4) Forecast loans: In my circular 32892/47 dated 27-11-1947, copy enclosed, I have emphasised the importance of the forecast system of loans and have directed Deputy Registrars to see that money is made available to the ryots under this system from the present cultivation season. I have also in my circular 8277/48 B dated 30-3-1948, copy enclosed, suggested the grant of loans by select co-operative societies' to ryots subject to sanction by the Central Banks later. The system is designed to cut out delays in the issue of loans to some extent. I shall review the position after some time and shall take suitable action.

5) Supply of agricultural implements: Till now the agricultural implements manufactured by fabricators were sold through the agricultural depots by the agricultural Department. A scheme is now under the consideration of Government according to which the distribution of these implements will be made by select co-operative societies on the recommendation of Agricultural Demonstrators, Village Munsiffs, or Firka Development Officers.

COOPERATIVE DEPARTMENT.

From
Sri Rao Bahadur J.C.Ryan, M.A.,
Registrar of Cooperative Societies,
MADRAS.

To
The Secretary to Government,
Development Department,
Fort St. George, MADRAS.

No. R.C.93315/48 V2 dated 18th Oc tober 1948.

Sir,

Sub: Co-operative Societies-- Agricultural Credit Societies- Curator's note on the recommendations of the Special Officer for Land Tenures.

Ref: Development Memorandum No.102489-BI/48-1 dated 28-9-1948.

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I agree with the view expressed by the Curator that co-operative societies should be helped to issue timely loans to agriculturists, to supply agricultural implements to the ryots and to arrange for the joint purchase and sale of domestic requirements and submit that these suggestions are being carried out by the societies to the extent possible.

2).The Curator states that interest charged by co-operative societies is as high as about 9 to 10 per cent, that it should be brought down to 7½ per cent and that Land Mortgage Banks should lend at 5½ per cent. The most usual lending rate of co-operative societies in the Province is 6¼% and this rate is lower than the rate at which such societies lend in other Provinces. The Gadgil Committee, the Saraiya Committee and the XVth Registrars' Conference recommended that short-term loans should be made available at not more than 4½% and that to this end, Government should provide subsidies to co-operative soceities. In the case of Ceded Districts, a scheme submitted by me to make short-term loans available to ryots at 5% through the provision of subsidies by Government is under the consideration of -Government. It is not possible to apply the scheme to the other areas in view of the present condition of provincial finance.

The Land Mortgage Banks in this Province lend at 5¼% which is a quarter per cent less than the rate suggested by the Curator. No action is needed on this suggestion.

3.) Controlled Credit: Co-opeeative Credit is essentially controlled credit. The scheme to popularise controlled credit is printed as Appendix I to the proceedings of the XII th Conference of Registrars held in December 1936. The following statement indicates the progress of controlled credit scheme during the year 1947-48.

a) No. of Districts in which the scheme was in force....	15
b) No. of Sale Societies working the scheme ...	47
c) No. of credit societies in the area of their operation.	1768
d)No. of credit societies through which the scheme was worked.	578

e)

5

6) Joint Purchase and sale of domestic requirements: Bylaw No.54 of Rural Credit Societies provides for this. The value of purchases and sales of members domestic requirements made by rural credit societies during 1947-48 amounted to Rs.39.05 lakhs and Rs. 40.00 lakhs respectively.

7) Kist loans: The suggestion is nothing new. The utilisation of co-operative loans for payment of kist was successfully adopted by some societies in Kaikalur Taluk of Kistna District and the Conjeevaram Taluk of the Chingleput District. The procedure to be followed in this regard is indicated in page 44 para 53 of the Administration Report of the Co-operative Department for 1928-29. Besides many societies have issued loans to their members for payment of kist. During the year 1947-48, as much as Rs.10.50 lakhs were issued as loans by societies for this purpose.

8) These are indeed multi-purpose activities for the performance of which there is already provision in the bylaws of co-operative societies. The fact, however, is that the societies are not able to discharge these functions to an appreciable extent owing to their inability to maintian adequate supervisory staff. The question of strengthening the supervising staff of rural credit societies was considered by the co-operative conference held at Madras on the 12th and 13th September 1947 under the Chairmanship/ the Hon'ble Minister for Co-operation. The following resolution was recorded at the Conference;

Resolution No. 3:

> a) This Conference considers it necessary that the supervisory staff employed by the Central Banks in every district should be strenghtened at the rate of one Supervisor for every 15 societies and two supervisors to be kept as leave reserve in every Central Bank area annd that the total cost of supervision in order to give effect to this resolution will have to be met by the Government, in full for the first five years.
>
> b) This Conference is of the opinion that wherever a Rural Co-operative Credit Society proposes to discharge additional functions other than credit as provided in its bylaws and employ a qualified paid manager, that Government should bear half the cost of such manager. This Conference also desires that the provision for the payment of honorarium under bylaws 30 and 55 of Agricultural Co-operative Credit Societies may be deleted in such cases.'

I have submitted a scheme to Government to give effect to the suggestion contained in the first part of this resolution and I have also reported to Government the financial implication of the scheme for the present year with reference to the Development Memorandum 100776/BIØ47-7 dated 21-9-1948. If the scheme is sanctioned it will be possible to introduce multi-purpose activities in rural credit societies to a greater extent than now.

9.) Regulation of money lending: This is an old question. As has been stated by the Curator, a money lending regulation, if put on the Statute book, may help the borrowers to a great extent. Government have in their memorandum No. 86520/G1/48 Development dated 10-7-1948 called upon the Board of Revenue to submit a comprehensive Bill replacing the Debtors Protection Act and the Pawn Brokers Act, in consultation with me. I have made some suggestions

;o the Board in this regard and shall submit a fuller report on the Bill when it is received.

Sd.
for REGISTRAR

/True Copy/

Extracts of the remarks of the Board of Revenue on the Curator's note extracted from C.No.11867 L/47 of Revenue Dept.)

(c) CREDIT AND OTHER FACILITIES TO BE GIVEN TO THE RYOTS: The Special officer has suggested that better credit and other facilities should be given to the ryots. As stated by the Curator, the Special Officer has not suggested how they a re to be given. The Curator points out that this question had been considered by Mr. Sathiamadhan in his report on Agricultural Indebtedness and by the Sub-Committee of the Provincial Economic Council for Agricultural Development. The suggestion referred to by the Curator are matters to be dealt with by the Cooperative Department. The Board submits that they may be considered along with the other recommendations made by the Special Officer.

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Development Department.

Extracts from the Note file of CNo. 93734 AIII /48.

Subl Agri- Land Tenure- Royotwari area- Report of the Spl.- Officer.

Revenue Department.

To A.S.

x x x x x x

The Curator, Madras Reocrd Office, has submitted a note on the recommendations made by the special officer for investigation of Land Tenure Systems. An extract from the note relating to provision of credit facilities to agriculturists is put up at pp-17-18 of the sectional Notes below.

The file may be sent to Development for remarks on the Curator's suggestions. Development may take necessary extracts from this file for separate action on matters concerning them.

28-8-48.

Development Department.

To A.S.

(Previous notes of this department pn p.1 above)

Revenue Department notes above may be perused. This department notes have been added to the Sectional Notes on p 4 below. After orders are passed the case may be returned to Revenue.

N.M.M . 16-9-48. S.G.A 17-9-48.

True Extract.

CREDIT FACILITIES TO THE RYOTS.

Extract of the note of the Curator. Madras Record Office.

Credit and other facilities to ryots.

40. The Special Officer has suggested that better credit and other facilities should be given to the ryots, but he has not stated how. This subject, however, has been considered by Mr. Sathianathan and by the Sub-Committee of the Provincial Economic Council for Agricultural Development. Their main suggestions are these: The Cooperative movement has lent out only about 6 per cent of the total agricultural debt, and so it is obviously necessary to encourage the cooperative credit societies still further and, at the same time, to exercise a stricter supervision over them to eliminate all benami transactions. The interest charged by these societies is still high, about 9 to 10 per cent; it should be lowered to 7½ per cent maximum. . Every encouragement should be given to the formation of marketing warehouses in rural areas for agricultural products and crop loans should be granted to the memberswho undertake to bring their crop to these warehouses for sale by or through warehouse officers. It is essential to adopt a system of control credit, whereby overdues in crops, in instalments during the different stages of cultivation on the basis of a forecast prepared in advance and the crop so secured must be marketed by loan and sale societies linked with the primarycooperative cocieties. This will give an incentive to better cultivation; prevent the ryots from diverting loans for non agricultural purposes, provide an orderly marketing of produce to the advantage of all parties and secure the repayment of loans to the cooperative societies. Nor is this all. Government agency for lending money being the following measures should be taken to help the cooperative agencies; (a) Introduction of a system of forecast loans-- Sufficiently in advance ofthe cultivating season each society should prepare an accurate forecast of the requirements of its members for cultivation, purchase of seed, manure, payment of kist, etc., for the whole year and these requirements should be obtained on loan from the Central Bank. The society should then make the loan available to the members as and when there is ac tual need. (b) Supply of agricultural implements, etc.. - where facilities exist, agricultural implements, etc., may be supplied to the ryot by debiting to the member's account through the Cooperative Inspector or the Agricultural Demonstrator; and the cost of the articles so supplied may be adjusted out of ~~the indent system~~ - Similarly ~~other requirements of the members may be~~ loan sanctioned by the Central Bank to the societies. (c) Joint indent system:--Similarly other requirements of the members ma y be obtained on a joint indent system with advantage. And (d) the payment of kist loans by Central Banks into the treasury --loans for payment of kist need not be paid in cash. As and when instalments of kists fall due, the Central Bank on receipt of a list of kist dues of members of a society may pay the amount direct into the treasury and their respective accounts. As to land mortgage banks, they may be cautiously expanded, urged to charge interest at the rate of 5½ instead of 6½ per cent and required to accept repayment of loans in kind and to effect immediate sale of produce through loan and sale societies. It is also necessary to pass a Regulation of Accounts Act on the lines of the Punjab Regulation of Accounts Act, obliging all money-lenders to keep an account for each debtor and to send to principal and interest and detailing all the loan transactions of the past six months. It is not known to what extent these suggestions made in 1935 have been carried out. If they have not yet been carried out, the feasibility of carrying them out may now be examined.

61. An important suggestion made by the Special Officer is that better credit facilities should be given to the ryots, but he has not stated how this can be done. Others, however, have suggested the following measures:- Cooperative credit societies should be encouraged still further and a stricter supervision should be exercised over them to eliminate benami transactions. The rate of interest charged by these societies should be reduced from 9-10 per cent to 7½ per cent maximum. Marketing warehouses should be formed in rural areas and a system of credit control should be adopted whereby over dues to cooperative societies can be avoided and the diverting of loans to purposes other than agriculture can be effectually prevented. A system of forecast loans should be introduced under which the loans to the cooperative societies should be granted by the Central Bank. Supply of agricultural implements, etc., should be made to ryots through Cooperative Inspectors or Agricultural Demonstrators and the cost of the articles so supplied should be adjusted out of the loan sanctioned by the Central Bank to the Societies. Payment of kist loans should be made by the Central Bank into the treasury and land mortgage banks should be exapnded, urged to charge interest at the rate of 5½ instead of 6½ per cent and required to accept repayment of loans in kind and to effect immediate sale of produce through loan and sale societies. And, finally, a Regulation of Accounts Act should be passed obliging every money-lender to keep accurate accounts of his debtors and to send them, once in six months, a signed statement of accounts disinguishing principal and interest and detailing all the loans of the past half-year. All these suggestions, if adopted, are likely to bring incalculable benefits to the ryots.

Development Department.

Necessary extracts of pp- 3-4 above may be taken and dealt with separately in this department as suggested by the Revenue Department.

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To A.S.

Please see the extracts at pp-14 ante. with reference to M above a draft memo to the Registrar Cooperative societies is submitted for approval.

Issued as Memo No.102489 B I/48-1, dated 28-9-1948.
From the R.C.S. Letter No. 93315/48V2, dated 18-10-48.

Development department.

To A.S.

The notes from p.1 ante and the Registrar's report at pp 3-5 cf. may be perused. In the circumstances stated by the Registrar no action is called for in this file. These papers may be recorded after perusal by the Revenue Department.

Revenue Department.

To A.S.

Please see the Development note from p 4 ante.

2. The Board of Revenue has recently submitted its remarks on the Curator(s note. The Boards remarks regarding "Credit facilities to Agriculturists" have been extracted at p 19 of the Sectional Notes in the linked file.

3. Development may be requested to circulate the case to H.M. (L.R.). The file may be returned to Development.

Development Department.

To A.S.

13

Development Department.

To A.S.

This file deals with the note prepared by the Curator, Madras Record Office, on the recommendations of the Special Officer (Sri Raghavendra Rao) for investigation of Land Tenure Systems so far as they relate to providing credit and other facilities to the agriculturists. The Curator has stated that though the Special Officer has suggested that better credit and other facilities should be given to the ryots, he has not stated how they can be done. This question was however considered by Mr. Sathianathan in his report on Agricultural Indebtedness and by the Sub Committee of the Provincial Economic Council for Agricultural Development. Their main suggestions are summarised by the Curator at pp 3-4 ante. The Registrar of Cooperative Societies has explained in his report at pp. 3-5 cf. how these suggestions are being carried out by the cooperative societies to the extent possible. In the circumstances stated by the Registrar no further action is considered necessary and it is proposed to record these papers. The Revenue Department has suggested circulation to H.M (Rev.) The file may accordingly be circulated to H.M. (L.A.) and H.M. (L.R.) for perusal of the Curator's note at pp 3 4 ante and the Registrar's report at pp 3-5. cf.

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The papers may now be recorded.

G.O. Ms. No.6234 dated 16-12-48.
Cooperative Societies-
Agricultural credit society-
Curator's note on the
recommendations of the
Special Officer for Land
Tenures- Papers recorded.

True Copy

for Superintendent,
Madras Record Office.

MG

1/19